

City Council Citizen Development
and Enrichment Committee
City Council Chambers
Torrance, California

Members of the Committee:

SUBJECT: Community Services – Review of Subsidy Levels

BACKGROUND

During the 2011-13 Budget Process, the Community Services Department was tasked with reducing the General Fund Annual Subsidy of the Parks and Recreation Enterprise Fund from \$4,000,000 to approximately \$3,200,000, a reduction of nearly \$800,000. To accomplish this reduction, Community Services proposed a mix of budget reductions, fee increases, staffing cuts, and a Cost Recovery/Subsidy Plan.

The Cost Recovery/Subsidy Plan was brought forward to City Council as part of the City Manager's Budget in May 2012. During the budget approval process, Council had questions regarding the allocation of subsidy to various programs and facilities as well as budget levels for specific programs which needed review (Madrona Marsh Preserve, Madrona Marsh Nature Center, Torrance Art Museum, and Senior Excursions). The Council decided to refer the budget and subsidy review process to the Citizen Development and Enrichment Committee for the upcoming budget cycle of 2013.

The 2012 Cost Recovery/Subsidy Plan replaces the Subsidy Plan approved by the City Council in 1993. This plan was developed by DMG--Consulting and required that all the direct costs and only appropriate indirect costs be covered by participant fees. The previous plan identified a subsidy of 60% for youth, 40% for seniors, and 20% for adults programs and classes with only a small portion of indirect costs being recovered. In comparison, though still subsidized at 60%, the new Cost Recovery/Subsidy Plan requires that all indirect costs are charged to the program, which drives up either the need for revenue through fee increases or program cuts to balance the budget.

Since 1993, programming under the Enterprise Fund has changed. Many free and fully subsidized programs have been replaced with fee based or partially subsidized programs. Despite the shift from free to fee, the variety and breadth of recreational and cultural opportunities for the community have expanded and grown with more classes, events and facilities than in the past. However, as free programs were cut and fee based programming increased, it became apparent that as fees rose more and more programs required less subsidy (Attachment A). The former subsidy plan had become less relevant and a new plan

was needed so that the Department could continue to offer quality programs and classes for the Torrance community.

ANALYSIS

The Cost Recovery/Subsidy Plan has been shared with the Cultural Arts and Parks and Recreation Commissions at their meetings in March 2012. The two Commissions felt that the subsidy plan meshed with their Philosophy of Service (Attachment B) as best as can be expected during difficult economic times.

Cost Recovery/Subsidy Plan Overview

The Cost Recovery/Subsidy Plan consists of several interconnected documents that each function to address an aspect of the whole. The Recreation and Cultural Services Division Budgets provide expenditure and revenue targets and assist with operational planning (budget documents are not attached to this item). The Cost Recovery/Subsidy Guidelines assist in assigning a subsidy percentage by categorizing the programs based on the cost vs. revenue, type of activity, and the primary user group. Profit and Loss Statements (P&L's) for each program are developed to determine expenditure needs (Part Time Staffing, materials and other costs versus expected revenue also not attached, but available upon request). The Cost Recovery and City Subsidy Plan Matrix summarizes the program expenditures and revenues from the P&L's and assigns the subsidy percentages established in the Guidelines (Attachment C).

As an overview, the Cost Recovery/Subsidy Plan takes into consideration the fully burdened costs of the direct and indirect costs for each of the programs within the Enterprise Fund (Attachment D). It is important to understand each type of cost which are explained below:

Direct Program Costs

Direct Program Costs are defined as all costs directly related to the program that would not be needed and/or spent if the program was not offered. Direct costs can be identified specifically with a final cost objective, and will be charged directly to that objective. Direct costs do not require any further allocation or breakdown by funding source or cost category. These costs may include, but are not limited to:

- Part time staff specific to the program or class
- Materials and Supplies to support the specific program or class
- Contract funding specific to the event or class

Indirect Divisional Costs

Indirect Divisional Costs are defined as costs that are incurred for a common or joint purpose benefiting more than one cost objective. Indirect costs are not readily assignable to the cost objectives specifically benefited without effort disproportionate to the results

achieved. Measuring benefit is the critical requirement and central task to be performed in allocating indirect costs. Certain indirect costs benefit several programs or cost objectives (while being for a specific service or function) are outlined below. These costs may include, but are not limited to:

- Full time staff salaries/benefits
- Utilities
- Training/Education
- Subscriptions
- Memberships
- Certain equipment
- Certain furniture
- City Interdepartmental Charges

Subsidy Levels

With the identification of the direct and indirect divisional costs, staff then addressed the appropriate subsidy levels to be recommended for each of the programs. Staff reviewed each of the columns and subsidy levels to ensure that the programs were in the appropriate category. Each of these six categories are defined by criteria that justify the need for subsidy. For example Category I includes *“Programs, Activities, Events and Facilities that promote a safe, healthy, and secure community with an emphasis on Environmental Education, youth, fixed income seniors and community cultural awareness.”*

The six categories are as follows:

1. 100% Subsidized--Programs are not required to cover their respective Direct Costs or Indirect Divisional Costs.
 - *Examples: city facilities and community events and programs.*
2. 60% Subsidized--Programs recover a portion of their Direct Costs and Indirect Divisional Costs.
 - *Examples: Youth, Senior Citizens and Special Needs Classes and Programs.*
3. 40% Subsidized--Programs recover a portion of their Direct Costs and Indirect Divisional Costs.
 - *Examples: Youth and Senior Citizen Classes and Programs that can recover a greater amount of revenue)*
4. 20% Subsidized--Programs recover a portion of their Direct Costs and Indirect Divisional Costs.
 - *Examples: Youth, Senior Citizen, and Adult Programs that promote Personal Enrichment and Quality of Life in the Community.*

5. 10% Subsidized--Programs recover a portion of their Direct Costs and Indirect Divisional Costs.
 - *Example: Adult Classes.*
6. 0% Subsidy/No Subsidy--Programs are expected to recover their Direct Costs and Indirect Divisional Costs.
 - *Example: Special Interest Adult Programs and Community Facilities that promote Personal Development.*

Included in the Subsidy Plan above is a category for Adult Classes in both the Cultural and Recreation Divisions. This category was added at the 10% level to emphasize the importance of covering the costs of classes for non-residents, as there has been much concern over the City's subsidy of non-residents. With a non-resident fee of approximately 10% of the value of each class, the City's subsidy of 10% for all adult classes would be covered by the additional fee paid by the participant. Therefore, for Adult classes, there would in effect be no subsidy for any non-resident enrolled in an Adult class.

This formula does not hold true for youth classes, as they have a recommended subsidy of 40%. In these cases, the non-resident fee of approximately 10% would not cover the full subsidy of non-resident enrollments. However, staff continues to estimate the significance of non-resident enrollments in classes and programs, and have found that there are economic benefits, as well as quality of life benefits, to having non-resident youth enrolled in our Classes and Programs. For instance, many parents drive their kids to classes, drop them off, and head off to do errands. This is especially true for participants at the Cultural Arts Center, with its proximity to the Del Amo Fashion Center. But the same can be said for restaurants, gas stations, and other shopping centers, some of which are within walking distance for the parents that do not sit and wait during their kids classes.

Fees and Impact

With the implementation of the new Cost Recovery/Subsidy Plan that includes all direct costs as well as all indirect costs, fees for classes and programs were raised to the average market rate as identified by the Market Rate Analysis. In doing so, there has been a noticeable reduction in participation within these programs and classes. Staff reviewed the past 3 – 5 year timeframe to identify how fees for individual Community Services classes have changed.

Over the course of the last three years, fees for classes and programs in the Parks and Recreation Enterprise Fund have risen by 20%. In 2008, the average class fee was \$66.35, and in 2009, the average class fee was \$67.52. While in 2010 the average class fee was up \$5.39 to \$72.91, in 2011 the average class fee was up another \$8.48 to \$81.39. These fee increases across the board have had a significant impact on enrollments. If we look back to 2008, comparing total enrollments across the board, there is a decrease in total annual enrollments every year. To summarize, here is a look at the net revenue, total enrollments, resident enrollments, and non-resident enrollments for each calendar year:

		Total	Total	Total Non-	Average
	Net Revenue	Enrollments	Residents	residents	Class Fee
2008	\$3,239,383	41,674	32,838	8,836	\$66.35
2009	\$3,109,825	39,646	31,457	8,189	\$67.52
2010	\$3,188,118	37,672	29,739	7,933	\$72.91
2011	\$3,238,401	33,324	27,340	5,984	\$81.39

Staff have evaluated the impact of the fee increases on a random sample of classes and found that while in some cases fee increases have had little effect on enrollments, such as adult golf and youth creative ballet, some classes have dramatically decreased including Yoga, Aerobics, and Drawing, Painting and Watercolor. In some cases, the result has been a decrease of more than 50% of the class attendance. In addition to fee increases, there are multiple factors that must be considered when reviewing the enrollment numbers. These include a tough economy, increased unemployment, and a reduction of discretionary income.

Given all of the aforementioned information staff believe that the new Cost Recovery/Subsidy Plan will work, but continue to be cautious in the area of raising fees until there is a strong recovery of participation numbers in all programs and classes.

It is important to note that all future Cost of Living increases provided to the direct program costs (part-time labor) of providing these services can be included. Staff believes these increases can be recovered by fee increases to these classes and programs. Although, if future Cost of Living increases are provided to the indirect divisional costs (full time labor), staff recommend that this same amount of funding be added to the city subsidy level of approximately \$3,200,000. Additional fee increases for the programs and classes will not be able to support or keep pace with these Cost of Living increases.

RECOMMENDATION

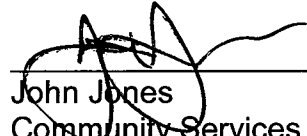
Programming for the Parks and Recreation Enterprise Fund is primarily provided oversight by both the Cultural Arts and Parks and Recreation Commissions. Additionally, the Youth Council and Commission on Aging assist in providing programming guidance and oversight for youth and seniors within the Recreation Services Division.

Staff recommends that each of the four Commissions review their programs for public participation/attendance, value to the Community, and fees in comparison to Market Rate. The review will allow for full participation from all commissions who provide oversight within the Department.

It is anticipated that the information would be presented to each of the commissions in the following order:

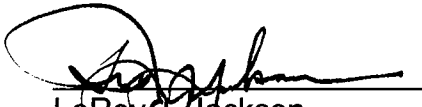
1. Staff will share this plan with the Youth Council and Commission on Aging at their upcoming monthly meeting.
2. Once this information has been gathered, staff would then present these findings to both the Cultural Arts and Parks and Recreation Commissions at their monthly meetings. The Commissions will review the plan and findings, and provide a recommendation back to the Citizen Development and Enrichment Committee.
3. The Citizen Development and Enrichment Committee would then review the program findings, evaluate the Cost Recovery/Subsidy Plan and make a recommendation of budget and subsidy levels back to the City Council.

Respectfully submitted,



John Jones
Community Services Director

CONCUR:



LeRoy D. Jackson
City Manager

Attachment:

- A. History of Subsidy
- B. Parks and Recreation and Cultural Arts Commission Philosophy Statement
- C. Cost Recovery/Subsidy Plan
- D. Supplementary Material to Item 13A

JJ:AO:evp/restricted/commission/CityCouncilCommittee/reviewofsubsidyitem8.13.12

History of Cultural Arts Center Fund and Recreation Fund Subsidies

	Total Revenues	Total Expend. Budget	Revenues Less Expenditures	Transfers In (Subsidy)	Transfers Out	Subsidy as % of Total Budgeted Revenues	Subsidy as % of Total Budgeted Expenditures
Cultural Arts Center							
2001-02 Adopted	1,526,475	1,472,495	53,980	770,075	770,075	50%	52%
2002-03 Adopted	1,553,995	1,596,892	(42,897)	780,075	780,075	50%	49%
2003-04 Adopted	1,553,995	1,606,110	(52,115)	780,075	780,075	50%	49%
2004-05 Adopted	1,553,995	1,701,562	(147,567)	780,075	780,075	50%	46%
2005-06 Adopted	1,581,275	1,827,051	(245,776)	780,075	780,075	49%	43%
2006-07 Adopted	1,619,275	1,894,698	(275,423)	780,075	780,075	48%	41%
2007-08 Adopted	1,919,275	1,964,554	(45,279)	1,065,075	1,065,075	55%	54%
2008-09 Adopted	2,061,315	2,098,229	(36,914)	1,149,875	1,149,875	56%	55%
2009-10 Adopted	2,524,785	2,198,265	326,520	1,156,255	1,156,255	46%	53%
2010-11 Adopted	2,009,005	2,177,687	(168,682)	780,075	780,075	39%	36%
2011-12 Adopted	1,984,117	2,161,885	(177,768)	713,187	713,187	36%	33%
2012-13 Original Adopted	2,088,627	2,167,985	(79,358)	713,187	713,187	34%	33%
2012-13 Revised	1,984,117	2,169,223	(185,106)	713,187	713,187	36%	33%
Recreation Fund							
2001-02 Adopted	5,896,083	6,273,336	(377,253)	2,703,830	2,703,830	46%	43%
2002-03 Adopted	6,251,472	6,415,869	(164,397)	3,073,830	3,073,830	49%	48%
2003-04 Adopted	6,502,121	6,567,509	(65,388)	2,919,830	2,919,830	45%	44%
2004-05 Adopted	7,027,693	7,374,123	(346,430)	2,919,830	2,919,830	42%	40%
2005-06 Adopted	6,925,412	7,251,857	(326,445)	2,893,847	2,893,847	42%	40%
2006-07 Adopted	7,254,427	7,476,952	(222,525)	3,043,847	3,043,847	42%	41%
2007-08 Adopted	7,620,787	7,691,373	(70,586)	3,410,597	3,410,597	45%	44%
2008-09 Adopted	8,147,790	8,270,863	(123,073)	3,745,750	3,745,750	46%	45%
2009-10 Adopted	8,211,790	8,177,922	33,868	3,745,750	3,745,750	46%	46%
2010-11 Adopted	7,939,890	8,154,592	(214,702)	3,283,695	3,283,695	41%	40%
2011-12 Adopted	8,099,304	8,502,368	(403,064)	3,283,695	3,283,695	41%	39%
2012-13 Original Adopted	8,099,304	8,514,968	(415,664)	3,283,695	3,283,695	41%	39%
2012-13 Revised	8,099,304	8,501,678	(402,374)	3,283,695	3,283,695	41%	39%

Parks and Recreation and Cultural Arts Commission Philosophy Statement

Our philosophy for the services provided by the Community Services Department is to:

- **Deliver services with integrity and honesty respecting all users**
- **Foster lifelong learning and personal development**
- **Cultivate joy, delight, and wonder**
- **Embrace diversity and offer equal access to services and programs to all our citizens**
- **Incorporate innovation and adopt new technologies to extend, expand, and enhance services**
- **Be responsible stewards of City resources**
- **Provide opportunities for civic participation and contribution**
- **Recognize and celebrate accomplishments and successes**

It is understood and well documented that Recreation and Cultural programs and classes augment and enhance "quality of life" for all our citizens. These programs and classes are not optional; they are *essential* parts of our community making it better now and in the future.

All who live, learn, work, and play in Torrance including youth, juveniles, adults and senior citizens, should have access to individual and group recreational and cultural activities, programs, instructional classes and facilities for free or, at least, at an affordable amount; and it should be available regardless of status or the ability to pay.

COST RECOVERY & CITY SUBSIDY GUIDELINES FOR CULTURAL AND RECREATIONAL CLASSES, PROGRAMS & ACTIVITIES

The following guidelines will be used in developing Cultural and Recreation Division program fees and to determine the appropriate cost recovery and/or the amount of City subsidy necessary for the program to operate.

Category 1	Category 2	Category 3	Category 4	Category 5	Category 6
Programs are not required to cover their respective Direct Costs or Indirect Divisional Costs. (100% subsidized)	Programs recover a portion of their Direct Costs and Indirect Divisional Costs. (60% subsidized)	Programs recover a portion of their Direct Costs and Indirect Divisional Costs. (40% subsidized)	Programs recover a portion of their Direct Costs and Indirect Divisional Costs. (20% subsidized)	Programs recover the majority of their Direct Costs and Indirect Divisional Costs. (10% subsidized)	Programs are expected to recover their Direct Costs and Indirect Divisional Costs. (No subsidy)
Cultural Services Cultural Events Torrance Art Museum	Cultural Services	Cultural Services Civic Chorale Contract Youth Classes Staff Youth Classes	Cultural Services Early Childhood Development Theater Company	Cultural Services Contract Adult Classes Staff Adult Classes	Cultural Services Cultural Excursions
Recreation Services Madrona Marsh Nature Center Madrona Marsh Preserve Senior Facilities Summer Parks	Recreation Services ATTIC Teen Center DH Sports Center Senior Programs Senior Lunch Program Special Needs Youth Sports	Recreation Services Aquatics Contract Youth Classes Co-Rec Teen Activities Special Events	Recreation Services Adult Sports Afterschool Clubs Day Camps Roller Hockey Senior Excursions	Recreation Services Contract Adult Classes	Recreation Services Batting Cages Community Gardens Farmers Market Las Canchas Tennis Center Sea Aire Golf Course Turkey Trot
Programs, activities, and facilities that promote a balanced community with an emphasis on environmental education, youth, seniors citizens, and cultural awareness	Programs, activities, and facilities that promote a balanced community with an emphasis on high school teens, special needs individuals, fixed income seniors, and youth	Programs, activities, and facilities that increase the quality of life in the community and provide a wide range of healthy, affordable activities to youth, teens, adults, and families.	Programs, activities, and facilities that increase the quality of life in the community and enhance healthy physical and cultural opportunities to participants of all ages	Classes targeted specifically for adults that are for personal development.	Programs, activities and facilities that revenue producing special interest areas offered primarily for adults for personal development.

Direct Costs include all costs directly related to the program that would not be needed &/or spent if the program was not offered. This includes part-time staff, materials/supplies, contract services, etc.

Indirect Divisional Costs are set at a percentage based on Divisional budget relative to the program and recover Indirect costs including full-time/support staff, administrative materials/supplies, & contract services covered by the respective Division.

Attachment D

Council Meeting of
May 15, 2012**SUPPLEMENTARY MATERIAL**

Honorable Mayor and Members
of the City Council
City Hall
Torrance, California

Members of the City Council:

SUBJECT: Supplementary Material to Item 13A

Staff have provided clarification on the Community Services Department Enterprise Fund Cost Recovery/Subsidy Plan as well as answers to specific questions regarding this plan (Attachment A).

The attached spreadsheet Net Cost Review is a slightly different version of the copies in the packet on pages 53 and 54 of Council Item 13A (Attachment B).

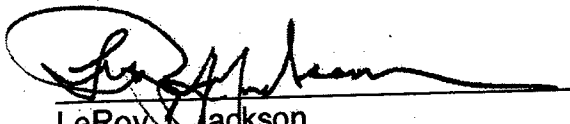
Explanation of the difference between Direct and Indirect Costs has been added to both the Recreation Services Division and Cultural Services Division sheets in boxes at the bottom. In addition, there have been some format changes that make the sheet easier to read.

The Total Subsidy listed in Column h is the subsidy values that have been implemented over the past year while the Subsidy Target in Column i is a future target.

Respectfully submitted,


John Jones
Community Services Director

CONCUR:


LeRoy Jackson
City Manager

Attachments:

- A. Memo on Clarification on the Community Services Department Enterprise Fund Cost Recovery/Subsidy Plan
- B. Net Cost Review, Pages 53 and 54 of Item 13A

CITY OF TORRANCE

INTEROFFICE COMMUNICATION

DATE: May 15, 2012

TO: Eric Tsao, Finance Director

FROM: John Jones, Community Services Director

SUBJECT: **CLARIFICATION ON THE COMMUNITY SERVICES DEPARTMENT
ENTERPRISE FUND COST RECOVERY/SUBSIDY PLAN**

At the May 8, 2012 Budget Hearing, the City Council asked staff for additional program information in order to clarify questions on the Cost Recovery/Subsidy Plan for the Enterprise Fund.

As a recap, the purpose of this plan was to review the Enterprise Fund reduction goal of \$400,000, provide an overview of recommended deletions, reductions and fee increases, and demonstrate how these changes fit within the Departments vision and connect to the new philosophy provided by the Parks and Recreation and Cultural Arts Commissions. This Cost Recovery/Subsidy Plan takes into consideration the fully burdened costs of the direct and indirect costs for each of the programs within the Enterprise Fund. This plan has also been vetted with the Parks and Recreation and Cultural Arts Commissions earlier this year.

- Q.** Why was the amount of \$447,889 provided in deletions, reductions, and fee increases, instead of the targeted amount of \$400,000?
- A.** In the analysis of all the programs and classes for deletion, reduction and fee increases, staff deleted many of the free community events to reach the targeted amount of \$400,000 to maintain the current subsidy level and to balance the budget. To be consistent with the deletions in the plan, staff provided additional deletions in the amount of \$47,889. These deletions have all been included in this plan and are only being provided to the City Council if they wanted to re-fund these deletions. The list of programs that are deleted and would be considered for re-funding are listed in Attachment D-5 page 56.
- Q.** Please provide an explanation of the Recreation Division Indirect Costs of \$2,328,126; and the Cultural Division Indirect Costs of \$596,931.
- A.** The Recreation and Cultural Divisions Indirect Costs are made up of all full time staff salaries/benefits; city interdepartmental charges (phone, central services, cable, custodial, communications, electrical maintenance, building maintenance, air conditioning, data and internet); Utilities as appropriate,

Training and Education; Memberships; Certain Equipment and Furniture; and replacement fund for computers and phones. The breakout is as follows:

Recreation Division	
Salaries and Benefits	\$1,484,797
Materials and Supplies	15,404
Professional/Contract Services	8,600
Training, Travel, and Membership	5,900
Liabilities	18,421
Inter-Departmental Charges	754,409
Operating Transfers Out	40,595
Recreation Indirect Overhead	\$2,328,126

Cultural Services	
Salaries and Benefits	\$578,100
Material and Supplies	9,431
Professional/Contract Services	3,600
Training, Travel, and Membership	5,800
Cultural Indirect Overhead	\$596,931

- Q.** In referring to Attachment D-5 on page 55, where can the \$447,889 of deletions, reductions, and fee increases be found in the Cost Recovery/Subsidy Plan? Is the prioritized listing of programs to save included in the total reduction value of \$447,889?
- A.** A complete listing of the proposed deletions, reductions, and fee increases can be found in the budget item in Attachment A from pages 69 - 72. Yes, all of the listed programs have been included in the total reduction value of \$447,889.
- Q.** Is there a chart that shows the proposed subsidy percentages for each of the programs within the Enterprise Fund?
- A.** Yes, the Cost Recovery & Subsidy Guidelines can be found in the budget item in Attachment C page 75. This is the revised subsidy policy moving away from the 60% Youth and 40% Seniors that was approved in the early 1990's. These categories better reflect needs of the community as well as the overall philosophy of the Parks and Recreation and Cultural Arts Commissions and vision of the Community Services Department.

The large spreadsheet provided basically reflects the future goal or targets for each of the programs based on this Cost Recovery/Subsidy Plan. The chart illustrates the differences between the "current" level of subsidy and the "subsidy" goal based on the revised subsidy policy. How the enterprise fund achieves the "subsidy" goal is in the planning process and will be brought forward at a later date.


 John Jones
 Community Services Director

FY 2012-2013
Cultural Services Divison
Cost Recovery and City Subsidy Plan

All Cult Div Programs, Classes, and Activities		P & L's	% of CULT Div Total	Cult Div Indirect Costs	Direct Costs Div Indirect Costs	Cost Recovery	% Recovery	% Subsidy	Subsidy Value	PROPOSED REVENUES	Balance	
		Direct Costs				Category						
		a		b	c	d	e	f	g	h	i	
					a + b				c x f		c-(g+h)	
930702	Torrance Art Museum	\$ 128,884	9%	\$ 56,334	\$ 185,218	1	0%	100%	\$185,218	\$ -	\$ -	Torrance Art Museum
930703	Cultural Events	\$ -	0%	\$ -	\$ -	1	0%	100%	\$0	\$ -	\$ -	Cultural Events
930705	Civic Chorale	\$ 40,800	3%	\$ 17,833	\$ 58,633	3	60%	40%	\$23,453	\$ 30,000	\$ 5,180	Civic Chorale
930706	Staff Taught Classes-Youth (60% of total)	\$ 260,049	19%	\$ 113,666	\$ 373,715	3	60%	40%	\$149,486	\$ 312,442	\$ (88,213)	Staff Taught Classes-Youth (60% of total)
930708	Contract Classes-Youth (60% of total)	\$ 312,942	23%	\$ 136,785	\$ 449,727	3	60%	40%	\$179,891	\$ 336,995	\$ (67,159)	Contract Classes-Youth (60% of total)
930711	Early Childhood Dev	\$ 127,335	9%	\$ 55,657	\$ 182,992	4	80%	20%	\$36,598	\$ 139,000	\$ 7,394	Early Childhood Dev
930710	Theater Company	\$ 108,680	8%	\$ 47,503	\$ 156,183	4	80%	20%	\$31,237	\$ 50,000	\$ 74,947	Theater Company
930708	Contract Classes-Adult (40% of total)	\$ 208,628	15%	\$ 91,190	\$ 299,818	5	90%	10%	\$29,982	\$ 221,636	\$ 48,200	Contract Classes-Adult (40% of total)
930706	Staff Taught Classes-Adult (40% of total)	\$ 173,366	13%	\$ 75,777	\$ 249,143	5	90%	10%	\$24,914	\$ 204,578	\$ 19,651	Staff Taught Classes-Adult (40% of total)
930707	Excursions	\$ 5,000	0%	\$ 2,185	\$ 7,185	6	100%	0%	\$0	\$ 7,185	\$ 0	Excursions
		\$ 1,365,684	100%	\$ 596,931	\$ 1,962,615				\$ 660,779	\$ 1,301,836	\$ 0	

Recreation Division Operations Cost				\$ 1,365,684
Recreation Division Admin Cost				\$ 596,931
Division Total				\$ 1,962,615

2011-2012 Subsidy	\$ 703,879
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Cultural Budget	\$ 1,962,615
less Revenue	\$ 1,301,836
Difference	\$ (660,779)
Difference	\$ (660,779)
less Subsidy	\$ 660,779
Balance	\$ 0

FY 2012-2013
Recreation Services Divison
Cost Recovery and City Subsidy Plan

	All Rec Div Programs, Classes, and Activities	P & L's Direct Costs a	% of Rec Div Total	Rec Div Indirect Costs b	Direct Costs + Div Indirect Costs c a + b	Cost Recovery Category d	% Recovery e	% Subsidy f	Subsidy Value g c x f	Revenue P & L's h	Balance i c-(g+h)	
930508	Seniors - Facilities	\$ 92,587	2.54%	\$ 59,066	\$ 151,653	1	0%	100%	\$ 151,653	\$ -	\$0	Seniors - Facilities
930527	Madrona Marsh Nature Center	\$ 280,304	7.68%	\$ 178,822	\$ 459,126	1	0%	100%	\$ 459,126	\$ -	\$0	Madrona Marsh Nature Center
930528	Summer Drop-In Park Programs	\$ 88,770	2.43%	\$ 56,631	\$ 145,401	1	0%	100%	\$ 145,401	\$ -	\$0	Summer Drop-In Park Programs
930526	Madrona Marsh Preserve	\$ 142,233	3.90%	\$ 90,738	\$ 232,971	1	0%	100%	\$ 232,971	\$ -	\$0	Madrona Marsh Preserve
930505	Teen Activities--The ATTiC	\$ 149,312	4.09%	\$ 95,255	\$ 244,567	2	40%	60%	\$ 146,740	\$ 16,545	\$81,282	Teen Activities--The ATTiC
930507	Special Needs	\$ 50,911	1.40%	\$ 32,479	\$ 83,390	2	40%	60%	\$ 50,034	\$ 24,694	\$8,662	Special Needs
930508	Seniors - Program	\$ 86,347	2.37%	\$ 55,086	\$ 141,433	2	40%	60%	\$ 84,860	\$ 30,213	\$26,360	Seniors - Program
930532	Youth Sports	\$ 237,981	6.52%	\$ 151,822	\$ 389,803	2	40%	60%	\$ 233,882	\$ 197,092	(\$41,171)	Youth Sports
930537	D.H Sports Center	\$ 162,222	4.45%	\$ 103,491	\$ 265,713	2	40%	60%	\$ 159,428	\$ 49,348	\$56,937	D.H Sports Center
930505	Teen Activities--Co Rec	\$ 50,901	1.39%	\$ 32,473	\$ 83,374	3	60%	40%	\$ 33,349	\$ 60,000	(\$9,976)	Teen Activities--Co Rec
930509	Special Events (Multiple)	\$ 90,080	2.47%	\$ 57,467	\$ 147,547	3	60%	40%	\$ 59,019	\$ 34,809	\$53,719	Special Events (Multiple)
930536	Aquatics	\$ 592,955	16.25%	\$ 378,280	\$ 971,235	3	60%	40%	\$ 388,494	\$ 443,472	\$139,269	Aquatics
930511	Contract Classes--Youth	\$ 102,708	2.81%	\$ 65,523	\$ 168,231	3	60%	40%	\$ 67,293	\$ 200,847	(\$99,908)	Contract Classes--Youth
930528	After School Club	\$ 385,919	10.58%	\$ 246,200	\$ 632,119	4	80%	20%	\$ 126,424	\$ 528,960	(\$23,265)	After School Club
930531	Adult Sports	\$ 306,055	8.39%	\$ 195,250	\$ 501,305	4	80%	20%	\$ 100,261	\$ 328,472	\$72,572	Adult Sports
930545	Roller Hockey-Youth, Adult, & Rink	\$ 152,192	4.17%	\$ 97,092	\$ 249,284	4	80%	20%	\$ 49,857	\$ 120,000	\$79,427	Roller Hockey-Youth, Adult, & Rink
930508	Seniors - Excursions	\$ 86,367	2.37%	\$ 55,098	\$ 141,465	4	80%	20%	\$ 28,293	\$ 100,000	\$13,172	Seniors - Excursions
930510	Day Camps	\$ 253,807	6.95%	\$ 161,918	\$ 415,725	4	80%	20%	\$ 83,145	\$ 315,000	\$17,580	Day Camps
930511	Contract Classes--Adult	\$ 43,796	1.20%	\$ 27,940	\$ 71,736	5	90%	10%	\$ 7,174	\$ 105,241	(\$40,679)	Contract Classes--Adult
930502	Farmers Market	\$ 205,392	5.63%	\$ 131,031	\$ 336,423	6	100%	0%	\$ -	\$ 483,774	(\$147,351)	Farmers Market
930509	Special Events--Turkey Trot addtl rev	\$ -	0.00%	\$ -	\$ -	6	100%	0%	\$ -	\$ 99,604	(\$99,604)	Special Events--Turkey Trot addtl rev
930513	Community Gardens	\$ 6,488	0.18%	\$ 4,139	\$ 10,627	6	100%	0%	\$ -	\$ 12,000	(\$1,373)	Community Gardens
930534	Las Canchas Tennis Center	\$ 10,289	0.28%	\$ 6,564	\$ 16,853	6	100%	0%	\$ -	\$ 25,000	(\$8,147)	Las Canchas
930535	Sea Aire Golf Course	\$ 68,732	1.88%	\$ 43,848	\$ 112,580	6	100%	0%	\$ -	\$ 140,000	(\$27,420)	Sea Aire Golf Course
930547	Batting Cages	\$ 3,000	0.08%	\$ 1,914	\$ 4,914	6	100%	0%	\$ -	\$ 25,000	(\$20,086)	Batting Cages
930548	Skate Park	\$ -	0.00%	\$ -	\$ -	6	100%	0%	\$ -	\$ -	\$0	Skate Park
1509	Beverage Agreement	\$ -	0.00%	\$ -	\$ -	6	100%	0%	\$ -	\$ 30,000	(\$30,000)	Beverage Agreement
	TOTAL	\$ 3,649,348	100%	\$ 2,328,126	\$ 5,977,474				\$ 2,607,403	\$ 3,370,071	\$ 0	

Recreation Division Operations Cost		\$ 3,649,348
Recreation Division Admin Cost		\$ 2,328,126
Division Total		\$ 5,977,474

2011-2012	Subsidy	\$ 2,579,816
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Recreation Budget	\$ 5,977,474
less Revenue	\$ 3,370,071
Difference	\$ (2,607,403)
Difference	\$ (2,607,403)
less Subsidy	\$ 2,607,403
Balance	\$ (0)

FY 2012-2013
Recreation Services Division
Net Cost Review

All Rec Div Programs, Classes, and Activities	Direct Costs	Rec Div Indirect Costs	Direct Costs + Div Overhead	% Recovery	Department Admin Overhead	City Indirect	Total City Cost	Revenue	% of Revenue to Total City Cost	Total Costs minus Revenues	Total Subsidy* Current %	Total Subsidy* Current	Subsidy* Target	Proposed Subsidy* based on Subsidy Plan	Subsidy Gap Value	All Rec Div Programs, Classes, and Activities
	See Below for Explanation of Costs												see note below			
	a	b	c		d	e	f	g	(f/g)f	f-g	(c-g)c	c-g	l	j	k	
Seniors - Facilities	\$ 92,587	\$ 59,066	\$ 151,653	0%	\$ 5,824	\$ 10,070	\$ 167,547	\$ -	100%	\$ 167,547	100%	\$ 151,653	100%	\$ 151,653	\$ -	Seniors - Facilities
Madrona Marsh Nature Center	\$ 280,304	\$ 178,822	\$ 459,126	0%	\$ 17,631	\$ 30,487	\$ 507,243	\$ -	100%	\$ 507,243	100%	\$ 459,126	100%	\$ 459,126	\$ -	Madrona Marsh Nature Center
Summer Drop-In Park Programs	\$ 88,770	\$ 56,631	\$ 145,401	0%	\$ 5,584	\$ 9,655	\$ 160,640	\$ -	100%	\$ 160,640	100%	\$ 145,401	100%	\$ 145,401	\$ -	Summer Drop-In Park Programs
Madrona Marsh Preserve	\$ 142,233	\$ 90,738	\$ 232,971	0%	\$ 8,946	\$ 15,470	\$ 257,387	\$ -	100%	\$ 257,387	100%	\$ 232,971	100%	\$ 232,971	\$ -	Madrona Marsh Preserve
Teen Activities--The ATTIC	\$ 149,312	\$ 95,255	\$ 244,567	40%	\$ 9,392	\$ 16,240	\$ 270,198	\$ 16,545	94%	\$ 253,653	93%	\$ 228,022	60%	\$ 146,740	\$ 81,282	Teen Activities--The ATTIC
Special Needs	\$ 50,911	\$ 32,479	\$ 83,390	40%	\$ 3,202	\$ 5,537	\$ 92,129	\$ 24,694	73%	\$ 67,435	70%	\$ 58,696	60%	\$ 50,034	\$ 8,662	Special Needs
Seniors - Program	\$ 86,347	\$ 55,086	\$ 141,433	40%	\$ 5,431	\$ 9,391	\$ 156,255	\$ 30,213	81%	\$ 126,042	79%	\$ 111,220	60%	\$ 84,860	\$ 26,360	Seniors - Program
Youth Sports	\$ 237,981	\$ 151,822	\$ 389,803	40%	\$ 14,969	\$ 25,883	\$ 430,655	\$ 197,092	54%	\$ 233,563	49%	\$ 192,711	60%	\$ 233,882	\$ (41,171)	Youth Sports
D.H Sports Center	\$ 162,222	\$ 103,491	\$ 265,713	40%	\$ 10,204	\$ 17,644	\$ 293,560	\$ 49,348	83%	\$ 244,212	81%	\$ 216,365	60%	\$ 159,428	\$ 56,937	D.H Sports Center
Teen Activities--Co Rec	\$ 50,901	\$ 32,473	\$ 83,374	60%	\$ 3,202	\$ 5,536	\$ 92,111	\$ 60,000	35%	\$ 32,111	28%	\$ 23,374	40%	\$ 33,349	\$ (9,976)	Teen Activities--Co Rec
Special Events (Multiple)	\$ 90,080	\$ 57,467	\$ 147,547	60%	\$ 5,666	\$ 9,797	\$ 163,010	\$ 34,809	79%	\$ 128,201	76%	\$ 112,738	40%	\$ 59,019	\$ 53,719	Special Events (Multiple)
Aquatics	\$ 592,955	\$ 378,280	\$ 971,235	60%	\$ 37,296	\$ 64,491	\$ 1,073,022	\$ 443,472	59%	\$ 629,550	54%	\$ 527,763	40%	\$ 388,494	\$ 139,269	Aquatics
Contract Classes--Youth	\$ 102,708	\$ 65,523	\$ 168,231	60%	\$ 6,460	\$ 11,171	\$ 185,862	\$ 200,847	-8%	\$ (14,985)	-19%	\$ (32,616)	40%	\$ 67,293	\$ (99,908)	Contract Classes--Youth
After School Club	\$ 385,919	\$ 246,200	\$ 632,119	80%	\$ 24,274	\$ 41,974	\$ 698,366	\$ 528,960	24%	\$ 169,406	16%	\$ 103,159	20%	\$ 126,424	\$ (23,265)	After School Club
Adult Sports	\$ 306,055	\$ 195,250	\$ 501,305	80%	\$ 19,250	\$ 33,287	\$ 553,843	\$ 328,472	41%	\$ 225,371	34%	\$ 172,833	20%	\$ 100,261	\$ 72,572	Adult Sports
Roller Hockey-Youth, Adult, & Rink	\$ 152,192	\$ 97,092	\$ 249,284	80%	\$ 9,573	\$ 16,553	\$ 275,409	\$ 120,000	56%	\$ 155,409	52%	\$ 129,284	20%	\$ 49,857	\$ 79,427	Roller Hockey-Youth, Adult, & Rink
Seniors - Excursions	\$ 86,367	\$ 55,098	\$ 141,465	80%	\$ 5,432	\$ 9,394	\$ 156,291	\$ 100,000	36%	\$ 56,291	29%	\$ 41,465	20%	\$ 28,293	\$ 13,172	Seniors - Excursions
Day Camps	\$ 253,807	\$ 161,918	\$ 415,725	80%	\$ 15,964	\$ 27,605	\$ 459,294	\$ 315,000	31%	\$ 144,294	24%	\$ 100,725	20%	\$ 83,145	\$ 17,580	Day Camps
Contract Classes--Adult	\$ 43,796	\$ 27,940	\$ 71,736	90%	\$ 2,755	\$ 4,763	\$ 79,254	\$ 105,241	-33%	\$ (25,987)	-47%	\$ (33,505)	10%	\$ 7,174	\$ (40,679)	Contract Classes--Adult
Farmers Market	\$ 205,392	\$ 131,031	\$ 336,423	100%	\$ 12,919	\$ 22,339	\$ 371,681	\$ 483,774	-30%	\$ (112,093)	-44%	\$ (147,351)	0%	\$ -	\$ (147,351)	Farmers Market
Special Events--Turkey Trot addtl rev	\$ -	\$ -	\$ -	100%	\$ -	\$ -	\$ -	\$ 99,604	0%	\$ (99,604)	0%	\$ (99,604)	0%	\$ -	\$ (99,604)	Special Events--Turkey Trot addtl rev
Community Gardens	\$ 6,488	\$ 4,139	\$ 10,627	100%	\$ 408	\$ 706	\$ 11,741	\$ 12,000	-2%	\$ (259)	-13%	\$ (1,373)	0%	\$ -	\$ (1,373)	Community Gardens
Las Canchas Tennis Center	\$ 10,289	\$ 6,564	\$ 16,853	100%	\$ 647	\$ 1,119	\$ 18,619	\$ 25,000	-34%	\$ (6,381)	-48%	\$ (8,147)	0%	\$ -	\$ (8,147)	Las Canchas Tennis Center
Sea Aire Golf Course	\$ 68,732	\$ 43,848	\$ 112,580	100%	\$ 4,323	\$ 7,475	\$ 124,379	\$ 140,000	-13%	\$ (15,621)	-24%	\$ (27,420)	0%	\$ -	\$ (27,420)	Sea Aire Golf Course
Batting Cages	\$ 3,000	\$ 1,914	\$ 4,914	100%	\$ 189	\$ 326	\$ 5,429	\$ 25,000	-361%	\$ (19,571)	-408%	\$ (20,086)	0%	\$ -	\$ (20,086)	Batting Cages
Skate Park	\$ -	\$ -	\$ -	100%	\$ -	\$ -	\$ -	\$ -	0%	\$ -	0%	\$ -	0%	\$ -	\$ -	Skate Park
Beverage Agreement	\$ -	\$ -	\$ -	100%	\$ -	\$ -	\$ -	\$ 30,000	0%	\$ (30,000)	0%	\$ (30,000)	0%	\$ -	\$ (30,000)	Beverage Agreement
TOTAL	\$ 3,649,348	\$ 2,328,126	\$ 5,977,474		\$ 229,539	\$ 396,913	\$ 6,603,926	\$ 3,370,071				\$ 2,607,403		\$ 2,607,403	\$ 0	TOTAL

Recreation Division Operations Cost	\$ 3,649,348
Recreation Division Admin Cost	\$ 2,328,126
Division Total	\$ 5,977,474

2011-2012

The Subsidy Plan takes into consideration the fully burdened costs of the Direct and Indirect Costs for each Program within the Enterprise Program.

Department Admin in column d is 20% of Admin Div Cost	\$ 229,539
Note: City Indirect in column e is 19.39% of Division FT Salaries	\$ 396,913
	\$ 626,452

Recreation Budget
less Revenue
Difference

Difference
less Subsidy
Balance

Direct Costs are defined as all costs directly related to the program that would not be needed and/or spent if the program was not offered. Direct Costs can be identified specifically with a final cost objective, and will be charged directly to that objective. Direct costs do not require any further allocation or breakdown by funding source or cost category.

Costs may include but are not limited to:
Part Time Staff specific to the program or class
Materials and Supplies
Contract funding specific to the event or class.

Indirect Divisional Costs are defined as costs that are incurred for a common or joint purpose benefiting more than one cost objective. Indirect costs are not readily assignable to the cost objectives specifically benefited without effort disproportionate to the results achieved. Measuring benefit is the critical requirement and central task to be performed in allocating indirect costs. Certain indirect costs benefit several programs or cost objectives (while being for a specific service or function) are outlined below. These costs may include, but not be limited to:

Full Time Staff salaries/benefits
Utilities
Training/Education
Subscriptions/Memberships
Certain equipment
Certain furniture
City Interdepartmental Charges.

***Note:**
Subsidy Target in column i was developed to recover Direct Costs and Divisional Overhead only.
Does not include Department Overhead or City Indirect Costs

FY 2012-2013
Cultural Services Division
Net Cost Review

All Cultural Div Programs, Classes, and Activities	P & L's Direct Costs	Cultural Div Indirect Costs	Direct Costs + Div Indirect Costs	% Recovery	Department Admin	City Indirect	Total City Cost	Revenue P & L's	% of Revenue to Total City Cost	Total Costs minus Revenues	Total Subsidy* Current %	Total Subsidy* Current	Subsidy* Target	Proposed Subsidy* based on Subsidy Plan	Subsidy Gap Value	All Cultural Div Programs, Classes, and Activities
			a+b				c+d+e	f	(f-g)/f	f-g	(c-g)/c	c-g	see note below	e x i	h-j	k
Torrance Art Museum	\$ 128,884	\$ 56,334	\$ 185,218	0%	\$ 10,831	\$ 10,851	\$ 206,901	\$ -	100%	\$ 206,901	100%	\$ 185,218	100%	\$ 185,218	\$ -	Torrance Art Museum
Civic Chorale	\$ 40,800	\$ 17,833	\$ 58,633	60%	\$ 3,429	\$ 3,435	\$ 65,497	\$ 30,000	54%	\$ 35,497	49%	\$ 28,633	40%	\$ 23,453	\$ 5,180	Civic Chorale
Staff Taught Classes-Youth	\$ 260,049	\$ 113,666	\$ 373,715	60%	\$ 21,854	\$ 21,895	\$ 417,463	\$ 312,442	25%	\$ 105,021	16%	\$ 61,273	40%	\$ 149,486	\$ (88,213)	Staff Taught Classes-Youth
Contract Classes-Youth	\$ 312,942	\$ 136,785	\$ 449,727	60%	\$ 26,299	\$ 26,348	\$ 502,374	\$ 336,995	33%	\$ 165,379	25%	\$ 112,732	40%	\$ 179,891	\$ (67,159)	Contract Classes-Youth
Early Childhood Dev	\$ 127,335	\$ 55,657	\$ 182,992	80%	\$ 10,701	\$ 10,721	\$ 204,414	\$ 139,000	32%	\$ 65,414	24%	\$ 43,992	20%	\$ 36,598	\$ 7,394	Early Childhood Dev
Theater Company	\$ 108,680	\$ 47,503	\$ 156,183	80%	\$ 9,133	\$ 9,150	\$ 174,467	\$ 50,000	71%	\$ 124,467	68%	\$ 106,183	20%	\$ 31,237	\$ 74,947	Theater Company
Contract Classes-Adult	\$ 208,628	\$ 91,190	\$ 299,818	90%	\$ 17,533	\$ 17,565	\$ 334,916	\$ 221,636	34%	\$ 113,280	26%	\$ 78,182	10%	\$ 29,982	\$ 48,200	Contract Classes-Adult
Staff Taught Classes-Adult	\$ 173,366	\$ 75,777	\$ 249,143	90%	\$ 14,569	\$ 14,596	\$ 278,309	\$ 204,578	26%	\$ 73,731	18%	\$ 44,565	10%	\$ 24,914	\$ 19,651	Staff Taught Classes-Adult
Excursions	\$ 5,000	\$ 2,185	\$ 7,185	100%	\$ 420	\$ 421	\$ 8,027	\$ 7,185	10%	\$ 842	0%	\$ 0	0%	\$ 0	\$ 0	Excursions
TOTAL	\$ 1,365,684	\$ 596,931	\$ 1,962,615		\$ 114,770	\$ 114,983	\$ 2,192,367	\$ 1,301,836		\$ 890,531		\$ 660,779		\$ 660,779	\$ (0)	TOTAL

Cultural Services Division Operations Cost	\$ 1,365,684
Cultural Services Division Admin Cost	\$ 596,931
Division Total	\$ 1,962,615

Department Admin is in column d is 10% of Admin Div Cost	\$ 114,770
Note: City Indirect in column e is 19.39% of Division FT Salaries	\$ 114,983
	\$ 229,752

2011-2012

Recreation Budget
less Revenue
Difference

Difference
less Subsidy
Balance

The Subsidy Plan takes into consideration the fully burdened costs of the Direct and Indirect Costs for each Program within the Enterprise Program.

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Certain equipment
Certain furniture
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Does not include Department Overhead or City Indirect Costs